

## Message Text

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ORIGIN EB-11

INFO OCT-01 EA-11 ISO-00 IO-14 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-10 PA-04 RSC-01 AID-20 CIEP-02 SS-20

STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 SPC-03 OMB-01

ARA-16 EUR-25 /219 R

DRAFTED BY EB/OT/STA:LICOHEN:JH

APPROVED BY EB:WCARMSTRONG

EB/OT/STA:EWKEMPE

EB/OT:MGLITMAN

EA/K:HNEWSOM (DRAFT)

EA/ROC:JMOYLE (DRAFT)

L/EB:DBURNS (DRAFT)

AGR:GSINDELAR (DRAFT)

STR:AGARLAND (DRAFT)

COMMERCE:FABUHL (SUBS)

----- 082052

P R 091729Z NOV 73

FM SECSTATE WASHDC

TO AMEMBASSY SEOUL PRIORITY

INFO AMEMBASSY TAIPEI

C O N F I D E N T I A L STATE 221537

E.O. 11652: GDS

TAGS:ETRD,KS, TS

SUBJECT:MUSHROOMS

REF: A. SEOUL 7263 B. STATE 173821 C. STATE 207064 D. STATE  
213779 (NOTAL)

1. THE EMBASSY IS REQUESTED TO CONVEY ON AN URGENT BASIS  
TO THE ROK AT THE DEPUTY PRIME MINISTER OR OTHER SIMILARLY  
APPROPRIATE HIGH LEVEL, OUR DISAPPOINTMENT WITH THEIR  
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RESPONSE TO OUR ORIGINAL SUGGESTION (REF B) AND OUR CONCERN

ABOUT THE DOMESTIC POLITICAL PRESSURES THAT ARE NOW BEING BROUGHT TO BEAR, AS A RESULT OF THAT RESPONSE, TO OBTAIN AN ARRANGEMENT MORE RESTRICTIVE THAN OUR INITIAL PROPOSAL. THE EMBASSY SHOULD NOT THAT THE PRESENT SITUATION REQUIRES RESTRAINT LEVELS BASE ON PAST RATES OF INCREASE IN EXPORTS. IT IS PRECISELY THOSE RATES OF INCREASE WHICH GAVE RISE TO DOMESTIC DEMANDS FOR RELIEF. OUR PROPOSAL ATTEMPTS TO DEAL WITH THE QUESTION OF IMPORTS IN SUCH A WAY AS TO PERMIT MAXIMUM POSSIBLE FLEXIBILITY.

2. IN VIEW OF THE ROK AIDE-MEMOIRE, AND UNLESS THE ROK MODIFIES ITS POSITION, THE EMBASSY SHOULD POINT OUT THERE ARE NOW TWO WAYS IN WHICH THE U.S. CAN MOVE TO ACHIEVE THE DESIRED RESULT. BOTH CONTAIN ELEMENTS OF UNILATERAL U.S. ACTION TO RESTRICT KOREAN IMPORTS.

A. THE U.S. INDUSTRY COULD REQUEST RELIEF FROM THE TARIFF COMMISSION UNDER SECTION 301 OF THE

TRADE EXPANSION ACT OF 1962. SINCE THE TARIFF COMMISSION RECENTLY COMPLETED AN INVESTIGATION OF THE MUSHROOM INDUSTRY (REF B) SUCH A PETITION COULD BE PROCESSED EXPEDITIOUSLY. WHILE WE CANNOT BE ABSOLUTELY CERTAIN OF THE COMMISSION'S FINDING, A FINDING OF INJURY OR THREAT OF INJURY SEEMS LIKELY GIVEN THE STATEMENTS OF THE COMMIS-

SIONERS IN THE EARLIER REPORT. SUCH A FINDING WOULD RESULT IN THE UNILATERAL IMPOSITION OF RESTRAINTS ON IMPORTS.

B. ACTION BY THE TARIFF COMMISSION, HOWEVER EXPEDITIOUS, PROBABLY WOULD NOT RESULT IN A FINDING BY THE END OF 1973. THEREFORE CONTINUED KOREAN REFUSAL TO COOPERATE WILL RESULT IN OUR TURNING TO THE SECOND ALTERNATIVE: FORMAL NEGOTIATIONS UNDER SECTION 204 AGRICULTURE ACT OF 1965.

3. SECTION 204 AUTHORIZES THE PRESIDENT TO ENTER INTO  
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NEGOTIATIONS FOR A MULTILATERAL AGREEMENT WITH SUPPLIERS ACCOUNTING FOR "A SIGNIFICANT" PROPORTION OF WORLD TRADE IN AN AGRICULTURAL COMMODITY. WITH REGARD TO CANNED MUSHROOMS, EXPRESSIONS OF WILLINGNESS TO NEGOTIATE HAVE COME FROM NOT ONLY THE ROC BUT FROM COSTA RICA AND ECUADOR AS WELL (REF C). THESE THREE SUPPLIERS ACCOUNT FOR THE "SIGNIFICANT" PROPORTION OF WORLD TRADE ENVISAGED UNDER SECTION 204. UNDER THE TERMS OF A SECTION 204

AGREEMENT, THE PRESIDENT HAS THE AUTHORITY TO IMPOSE QUOTAS ON SUPPLIERS NOT PARTY TO IT. UNDER SUCH AN AGREEMENT KOREA WOULD, IF WE HAVE TO GO THIS ROUTE, FIND ITSELF CONFRONTED WITH AN IMPOSED ARRANGEMENT.

4. THE EMBASSY SHOULD MAKE CLEAR TO THE ROK THAT NEITHER THE SECTION 301 ESCAPE CLAUSE NOR SECTION 204 ARRANGEMENT IS LIKELY TO BE, IN OUR VIEW, AS ADVANTAGEOUS TO KOREA AS WHAT WE HAVE ALREADY PROPOSED. IT SHOULD EMPHASIZE THAT AN EARLY RECONSIDERATION OF THE ROK DECISION NOT TO ENTER INTO SUBSTANTIVE DISCUSSIONS IS NECESSARY TO PREVENT MORE RESTRICTIVE MEASURES ON OUR PART; ACTIONS WHICH WE MOST SINCERELY WANT TO AVOID. IT SHOULD BE STRESSED THAT THESE DISCUSSIONS WILL HAVE TO SUCCEED IN THE VERY NEAR FUTURE. MOREOVER, WE CANNOT GO BEYOND OUR EARLIER PROPOSALS CONCERNING THE BASE YEARS. SPECIFICALLY WE CANNOT AGREE TO AN INCREASE FROM THE PRESENT TOTAL OF 12.3 MILLION POUNDS TO THE 26 TO 28 MILLION POUNDS (OUR BEST

ESTIMATE OF 1973 ROC SHIPMENTS) IMPLIED IN THE ROK RESPONSE. SUCH AN INCREASE WOULD DEFEAT THE WHOLE PURPOSE OF THE PROPOSED ARRANGEMENT. RUSH

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 09 NOV 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** garlanwa  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1973STATE221537  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** LICOHEN:JH  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** n/a  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1973/newtext/t19731143/aaaabfoj.tel  
**Line Count:** 137  
**Locator:** TEXT ON-LINE  
**Office:** ORIGIN EB  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:**  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** A. SEOUL 7263 B. STATE 173821 C. STA, TE 207064 D. STATE  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** garlanwa  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 31 JAN 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <31-Jan-2002 by boyleja>; APPROVED <05 MAR 2002 by garlanwa>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** USHROOMS  
**TAGS:** ETRD, KS, TS  
**To:** SEOUL  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005